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DEPARTMENT OF AUDITOR-CONTROLLER**

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July 15, 2016

TO: Supervisor Hilda L. Solis, Chair
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FROM: John Naimo
Auditor-Controller

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SUBJECT: **DEPARTMENT OF CHILDREN AND FAMILY SERVICES -
KINDERTRACK SYSTEM REVIEW**

We reviewed the Department of Children and Family Services' (DCFS or Department) controls over the KinderTrack System (KinderTrack or System), which the Department uses to process subsidized child care payments for the DCFS Child Care Program (Program). The California Department of Education (CDE) contracts with DCFS to administer the Program, which involves enrolling and paying subsidized child care for low income families with active child protective services cases. In Fiscal Year 2014-15, DCFS paid approximately \$11.8 million to child care providers through KinderTrack.

The purpose of our review was to assess the Department's compliance with County information technology and fiscal policies and procedures. Our review focused on testing KinderTrack payment processing controls, including separation of duties, payment authorizations, the process for submitting payments electronically from KinderTrack to the electronic Countywide Accounting and Purchasing System (eCAPS), and the process for performing a KinderTrack risk assessment.

Results of Review

DCFS management needs to improve controls over KinderTrack and the child care payment process. We noted a significant number of overpayments and underpayments in a sample of child care payments tested, and found that a lack of automated payment controls, authorizations, policies/procedures, and staff training contributed to the errors. Following are examples of areas for improvement:

- **Approval Controls** - DCFS needs to implement electronic System approvals for payments, payment rates, families, and child care providers that staff enter into the System, as required by County Fiscal Manual (CFM) Section 8.9.1. We noted that DCFS does not require any approvals for child care payments that staff enter into the System. In addition, staff can bypass manual approvals to change provider payment rates that are stored in the System, and to enter families and providers in the System to receive Program services.

DCFS' attached response indicates they will work with the System vendor to implement System workflow for electronic approvals or will establish compensating manual approvals.

- **Payment Errors** - DCFS needs to correct overpayments and underpayments noted in our review. We tested 50 child care payments that DCFS staff entered into the System and noted 12 (24%) payment errors totaling \$659. While the individual value of the errors is small (approximately \$55 per error), the 24% error rate suggests that the cumulative impact of errors could be significant in the overall population of approximately 16,700 payments per year.

DCFS' attached response indicates they have developed a process for recovering the confirmed overpayments and issuing supplemental warrants for underpayments noted in our review.

- **Monitoring Child Care Payment Laws** - DCFS needs to develop a process to monitor changes in child care payment laws, and to adjust payment processes to address new legal provisions. We noted that DCFS payment staff have over and under paid providers for premium child care hours for more than 12 years. This occurred because managers in the child care and payment sections were not aware of changes to the California Code of Regulations (CCR) in 2003 that affected the payment calculation process for premium child care hours.

DCFS' attached response indicates they implemented a process where managers in the child care and payment sections will receive management bulletins from the CDE, and will adjust DCFS' payment process as needed to comply with changes to child care payment law.

- **Payment Rates** - DCFS needs to evaluate modifying KinderTrack to automatically adjust payment rates as the child receiving care gets older. DCFS payment staff need to remember to adjust the provider rate down when the child receiving care has a birthday, since provider rates typically decrease as a child gets older. Automating the rate adjustments would reduce the likelihood of errors.

DCFS' attached response indicates they have evaluated the System and determined it can automatically adjust payment rates for a child's birthday if the provider's rates for different age groups are entered into the System. DCFS child care staff will now input all provider rates during the enrollment process and KinderTrack will adjust rates when birthdays occur. The System will also alert DCFS staff 45 days prior to a child's birthday so staff can ensure the applicable age group rate is entered.

- **Provider Registration Fees** - DCFS needs to require enrollment staff to enter provider registration fees in KinderTrack so the System can automatically apply the registration fee to a provider's first payment. Under the Program, DCFS pays child care registration fees for eligible families. However, the process for paying the fee is susceptible to error because it relies on payment staff to remember to input the fee when processing a provider's first child care payment. In addition, it is difficult for payment staff to determine if they have previously paid the fee, increasing the risk that staff could enter and pay the fee in duplicate.

DCFS' attached response indicates they have instructed enrollment staff to enter registration fees in the System when they create the provider profile. KinderTrack will automatically pay the registration fee in the provider's first child care payment, or in incremental monthly payments to comply with Regional Market Rate limits.

- **Child Care Licenses** - DCFS needs to improve how staff monitors child care provider licenses, including establishing a process to register with the California Department of Social Services (CDSS) for automated e-mail notifications when provider license statuses change. CCR Title 22, Division 12 requires most child care providers operating in California to maintain an active child care license with the CDSS. DCFS staff will verify that providers have an active child care license when they initially enroll in the Program, but do not subsequently review to ensure that provider licenses remain in good standing with CDSS. As a result, two (4%) of the 45 providers we reviewed received 11 payments totaling \$8,095 for child care that occurred up to eight months after their licenses were suspended due to reports of over-occupancy, a criminal conviction in the household, and/or domestic violence.

DCFS' attached response indicates they have instructed staff to retain a printout of each provider's license status during enrollment, and when recertifying a child care placement. The Department also indicates they have established an e-mail account to receive automated notifications from CDSS on provider license status changes. Eligibility workers will monitor and resolve issues identified in the notifications.

We also noted that DCFS management needs to improve controls over preventing possible duplicate payments, enhance payment monitoring procedures to identify suspended payments timely, evaluate using postback data from eCAPS to monitor the status of child care payments, and automate payment calculations in the System. DCFS also needs to develop written child care payment policies and procedures, and perform a risk assessment for KinderTrack as required by Board of Supervisors Policy 6.107.

Details of these findings and recommendations are included in Attachment I.

Review of Report

As indicated, many of our recommendations will require the Department to evaluate modifying KinderTrack to incorporate new electronic controls and processes. We discussed our report with DCFS management, and the Department has agreed that if their evaluation determines certain electronic controls are not practical, they will implement alternative manual controls. DCFS' attached response (Attachment II) describes the specific corrective actions they have taken, or plan to take, to address the recommendations in our report.

We thank DCFS' management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Robert Smythe at (213) 253-0100.

JN:AB:PH:RS:MP

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Philip L. Browning, Director, Department of Children and Family Services
Public Information Office
Audit Committee

DEPARTMENT OF CHILDREN AND FAMILY SERVICES KINDERTRACK SYSTEM REVIEW

Background

We reviewed the Department of Children and Family Services' (DCFS or Department) controls over the KinderTrack System (KinderTrack or System), which the Department uses to process subsidized child care payments for the DCFS Child Care Program (Program). The California Department of Education (CDE) contracts with DCFS to administer the Program, which involves enrolling and paying subsidized child care for low income families with active child protective services cases. The Program is subsidized by the CDE with State and Federal Alternative Payment Program funding.

DCFS staff use the System to enroll families and child care providers in the Program, to process payments to providers who render child care services, and to send approved payment requests to the electronic Countywide Accounting and Purchasing System (eCAPS). In Fiscal Year (FY) 2014-15, the Department used the System to process approximately 16,700 payments to child care providers totaling approximately \$11.8 million. Our review focused on testing KinderTrack payment processing controls, including separation of duties, payment authorizations, the process for submitting payments electronically from KinderTrack to eCAPS, and the process for performing a KinderTrack risk assessment.

System Approvals

County Fiscal Manual (CFM) Section 8.9.1 requires information entered into information technology (IT) systems to be independently reviewed and authorized before it is submitted for processing. CFM Section 8.4.1 also requires departments to separate key transaction processing functions, such as the abilities to input a vendor and process a payment. These controls help ensure that transactions processed in IT systems are accurate and valid.

We noted that DCFS has appropriately separated the responsibilities in the System for establishing child care providers (i.e., payees) and issuing payments to the providers. However, we noted weaknesses within the System for the process of approving child care payments, payment rates, Program participants, and providers. Specifically:

- **Payment Approvals** - DCFS does not require any approvals for child care payments that DCFS payment staff enter into the System, totaling \$11.8 million in FY 2014-15. In addition, we noted that the process for payment staff to calculate payments is susceptible to error because it frequently relies on staff to perform out-of-System calculations, make adjustments to payment rates, override System payment limits, and requires an extensive knowledge of how to apply payment rules established under the California Code of Regulations (CCR). DCFS management needs to implement electronic System approvals for payments that staff process.

We reviewed a sample of child care payments and noted several errors resulting in overpayments and underpayments that could have been prevented by supervisory approvals. Details of the errors and DCFS' payment process are discussed in the Payment Processing section below.

- **Payment Rates** - We noted that DCFS staff can enter and adjust provider payment rates that are stored in the System without obtaining required approvals. DCFS requires Eligibility Workers (EWs) to document provider payment rates on a hard-copy Certificate for Child Care Services (Certificate), obtain an Eligibility Supervisor's (Supervisor) initials on the Certificate, and then enter the Certificate rate in the System. However, we noted that EWs could bypass the Supervisor approval by entering a rate in the System and never submitting the Certificate for the Supervisor to initial. In addition, Supervisors may not detect inaccurate rates EWs enter in the System because they do not always compare the approved Certificate rate to the rate that EWs enter.

We also noted that staff in the DCFS Payment section can adjust payment rates without any review/approval. Payment section staff indicated that they frequently adjust rates if they find that the rate on the Certificate does not match the rate stored in the System, or if an EW leaves an electronic note in the System telling Payment staff to change the rate.

The System uses stored provider payment rates to help calculate all child care payments. To reduce the likelihood of payment error, DCFS needs to implement electronic System approvals for all payment rate changes, and require EWs and Supervisors, who are responsible for establishing rates, to process all rate changes in the System.

- **Participant and Provider Approvals** - We noted that DCFS enrollment staff can enter participant families and child care providers in the System without obtaining required approvals. This increases the risk that staff could enter an erroneous or invalid family/provider without being detected.

When DCFS enrollment staff enter a family and a child care provider into the System, they create separate hard-copy family and provider files with documentation to support that each qualifies for the Program. DCFS procedures require a Supervisor to review and sign an approval in both files. However, enrollment staff can bypass these approvals and enter families and providers in the System without creating the files or submitting them for signature. In addition, the existing Supervisor review is not adequate to detect data entry errors, because Supervisors do not verify that information entered into the System (i.e., names, addresses, etc.) matches the supporting documentation.

We reviewed 25 active child care providers (i.e., payees) in the System and found that nine (36%) were missing a Supervisor's signature in the provider file to

indicate approval of the provider. Each of the nine unapproved providers were supported and appeared valid.

To reduce the risk of payment error and ensure that only authorized families and providers are entered into the System to participate in the Program, DCFS management needs to implement electronic System approvals for payments, payment rates, families, and child care providers that staff enter in the System. DCFS also needs to require EWs and Supervisors to process all payment rate changes in KinderTrack.

Recommendations

Department of Children and Family Services management:

- 1. Implement electronic System approvals for payments, payment rates, families, and child care providers that staff enter in KinderTrack.**
- 2. Require Eligibility Workers and Eligibility Supervisors to process all payment rate changes in KinderTrack.**

Payment Processing Controls

The CDE's Alternative Payment Program Funding Terms and Conditions indicate that DCFS can pay child care providers at their market rate for child care, but limits the payment amount to the maximum Regional Market Rate (RMR) for child care established by the CDE.

Child care providers request Program payments by submitting monthly timesheets to DCFS to report qualified child care hours. When DCFS Payment staff receive provider timesheets, they enter the child care hours from each timesheet into a digital timesheet in KinderTrack. DCFS has designed the System to apply each provider's stored payment rate to the hours input from the timesheet to calculate the payment amount due. The System also stores and enforces the RMR limits to prevent paying a provider more than the maximum RMR.

Payment Errors

We tested 50 timesheets that DCFS staff entered into the System for payment and noted 12 (24%) payment errors totaling \$659. While the individual value of the errors is small (approximately \$55 per error), the 24% error rate suggests that the cumulative impact of errors could be significant in the overall population of approximately 16,700 payments per year.

The majority of errors occurred due to a lack of System automation, and a lack of adequate training to assist staff in calculating child care payment amounts. In the sections below, we discuss the specific causes for the 12 payment errors, and recommendations to prevent them from reoccurring.

DCFS management needs to resolve the overpayments and underpayments noted in our review.

Recommendation

- 3. Department of Children and Family Services management resolve the overpayments and underpayments noted in our review.**

Manual Calculations

As mentioned, the System is designed to assist staff by calculating child care payments based on child care hours and provider payment rates that staff input. However, we noted the System does not calculate payment for premium child care hours (i.e., hours on weekends and weekday evenings), and does not always prorate provider payment rates when needed (e.g., DCFS pays providers 3/5 of their weekly rate when they only provide child care for three of the five weekdays). As a result, DCFS Payment staff calculate these payments outside of the System, increasing the likelihood of error. Three (25%) of the 12 errors occurred because DCFS Payment staff made mathematical errors when prorating provider rates and calculating payments outside of the System for partial weeks of child care.

To reduce the likelihood of payment error, DCFS management needs to evaluate modifying KinderTrack to automate all child care payment calculations based on the child care hours entered, including modifying the System to calculate payment for premium hours, and for prorated child care rates.

Recommendation

- 4. Department of Children and Family Services management evaluate modifying KinderTrack to automate all child care payment calculations based on the child care hours entered, including modifying the System to calculate payment for premium hours and prorated child care rates.**

Premium Child Care Payments

CCR Title 5, Section 18075.1 requires DCFS to increase the maximum RMR for child care when a provider reports more than 10% of child care as premium hours (i.e., hours on a weekend or weekday evening). However, DCFS still must not pay a provider more than their market rate.

We noted four (33%) of the 12 errors related to errors in calculating premium child care payments. We also noted that DCFS has incorrectly paid providers for premium child care for years because the payment rules changed in 2003 but DCFS did not adjust its payment process. Specifically:

- One (8%) of the 12 errors occurred because DCFS paid the provider at the maximum RMR for child care, and did not cap their payment at the provider's market rate, as required. DCFS Payment section supervisors indicated that their staff have never capped premium payments at the provider's market rate because they were not aware of the CCR rule that went into effect in 2003.
- Three (25%) of the 12 payment errors occurred because staff did not increase the RMR for providers who reported between 10% and 25% of their time as premium child care. DCFS Payment section supervisors indicated that staff did not increase the RMR for these providers because they followed the CCR rule prior to 2003 that only required an RMR increase when more than 25% of hours are for premium care.

We could not easily determine the extent of the premium child care payment errors that have occurred since 2003 because DCFS does not have a method to track or report on payments for premium child care. DCFS management needs to evaluate the feasibility and cost benefit of identifying and resolving the premium child care payment errors that have occurred since 2003.

We also noted that KinderTrack does not automatically adjust the RMR when staff enter premium child care hours. DCFS staff need to calculate the increased RMR amount outside of the System, then use an RMR override feature to enter the new amount in the System. However, this process is susceptible to calculation and data entry error.

To reduce the risk of payment errors, DCFS management needs to develop a process to monitor changes to child care payment law, and adjust payment processes to address new legal provisions. DCFS management also needs to evaluate modifying KinderTrack to prohibit payments that exceed a provider's market rate for child care, and to automatically adjust RMR limits for premium child care hours so that DCFS can eliminate the RMR override feature.

Recommendations

Department of Children and Family Services management:

5. **Evaluate the feasibility and cost benefit of identifying and resolving the premium child care payment errors that have occurred since 2003.**
6. **Develop a process to monitor changes to child care payment law, and adjust payment processes to address new legal provisions.**
7. **Evaluate modifying KinderTrack to prohibit payments that exceed a provider's market rate for child care.**

- 8. Evaluate modifying KinderTrack to automatically adjust Regional Market Rate limits for premium child care hours, and eliminate the Regional Market Rate override feature.**

Payment Rates

As mentioned, DCFS staff document provider payment rates on a hard-copy Certificate during enrollment. In addition, provider rates for child care decrease as a child gets older. If the child has an upcoming birthday, DCFS documents two provider payment rates on the Certificate (i.e., one rate before the birthday and one after).

We noted that three (25%) of the 12 payment errors occurred due to staff errors in accounting for child birthdays and the associated changes in provider rates. For two payments, DCFS staff did not account for the child's birthday by using the new payment rate. For the other payment, DCFS staff accounted for the birthday and rate change, but inappropriately applied the new rate for the entire month instead of only applying it after the child's birthday. DCFS management needs to evaluate modifying the System to automatically adjust provider rates as a child gets older.

In addition, one (8%) of the 12 payment errors occurred because DCFS enrollment staff documented the wrong provider rate on the Certificate and entered that rate into the System for payment. The error occurred because DCFS enrollment staff received an update to the provider's rates but did not file it timely in the provider file to use when creating the Certificate. DCFS needs to ensure that staff file provider rate lists timely in the provider file.

Recommendations

Department of Children and Family Services management:

- 9. Evaluate modifying KinderTrack to automatically adjust provider rates as a child gets older.**
- 10. Ensure that staff file provider rate lists timely in the provider file.**

Registration Fees

CCR Title 5, Section 18076.1 allows for DCFS to reimburse child care providers for registration fees that some providers charge to families who enroll for child care. DCFS enrollment staff document provider registration fees on the provider Certificate during enrollment. When DCFS Payment staff process a provider's first timesheet for payment, they check the Certificate and input the registration fee for payment.

One (8%) of the 12 payment errors occurred because DCFS Payment staff did not input the registration fee from the Certificate. To avoid duplication or oversight of registration fee payments, DCFS should require enrollment staff to enter provider registration fees

in the System at the time they create the provider profile, and allow the System to automatically add the fee to the provider's first child care payment.

Recommendation

- 11. Department of Children and Family Services management require enrollment staff to enter provider registration fees in the System when they create the provider profile, and allow KinderTrack to automatically add the registration fee to the provider's first child care payment.**

Policies and Procedures

DCFS supervisors in the Payment section indicated that errors occur in part because child care payment staff are inexperienced due to high turnover. However, we noted that DCFS management has not developed policies/procedures or provided formal training to guide Payment staff in performing their duties, as required by CFM Section 8.9.1.

To reduce the risk of payment error, DCFS needs to develop written child care payment policies and procedures, in accordance with applicable regulations, to guide staff in their payment processing duties. DCFS management also needs to develop and deliver periodic staff training on child care payment policies and procedures.

Recommendations

Department of Children and Family Services management:

- 12. Develop written child care payment policies and procedures, in accordance with applicable regulations, to guide staff in their payment processing duties.**
- 13. Develop and deliver periodic staff training on child care payment policies and procedures.**

Payment Documentation

As mentioned, DCFS enrollment staff must prepare a Certificate that is signed by the provider to document each provider's child care payment rate. California Education Code Section 8221.5 also indicates that child care timesheets must document the specific dates and times of child care, and must be signed by the guardian and child care provider to certify attendance.

We reviewed support for 50 child care providers and noted that one (2%) Certificate was not signed by the provider to acknowledge the child care payment rate entered into

the System. DCFS management needs to ensure staff obtain provider signatures on all Certificates.

We also reviewed 50 child care timesheets on file to support payments entered in the System, and noted that nine (18%) were incomplete due to missing child care provider signatures or dates of child care. These timesheets should be returned to the child care provider for correction.

Recommendations

Department of Children and Family Services management ensure that staff:

- 14. Obtain provider signatures on all Certificates for Child Care Services to document each provider's agreement to their child care payment rate.**
- 15. Return incomplete child care timesheets to providers for correction.**

Child Care Licenses

CCR Title 22, Division 12 requires most child care providers operating in California to maintain an active child care license with the California Department of Social Services Community Care Licensing (CCL) Division. The only exception is for public and private school programs that offer child care before or after the school day. CCL monitors licensees and can suspend or cancel licenses for various reasons, such as if the licensee poses an immediate risk to the health or safety of those in their care.

We noted that DCFS staff verify that providers have an active license when they enroll in the Program, but staff do not review license statuses thereafter. As a result, two (4%) of the 45 providers we reviewed received 11 payments totaling \$8,095 for child care that occurred up to eight months after their licenses were suspended. According to the CCL, one of the providers was suspended due to over-occupancy and a criminal conviction. The other was suspended due to reports of domestic violence in the home.

DCFS establishes an agreement with every child care provider that lasts no longer than six months, and can renew a provider agreement beyond six months when there is still a need for child care. To ensure the safety of Program participants, DCFS should require staff to review the status of provider child care licenses at least every six months when renewing provider agreements, and terminate agreements with providers who have a suspended or canceled license.

We also noted that the CCL website has a feature where DCFS staff can register to receive weekly e-mail updates on each provider's license status. DCFS management should assign staff to register each Program provider for automated e-mail notifications from the CCL, and to monitor and resolve license issues identified in the e-mail notifications.

Recommendations

Department of Children and Family Services management:

- 16. Require staff to review the status of child care provider licenses at least every six months when renewing provider agreements, and terminate agreements with providers who have a suspended or canceled license.**
- 17. Assign staff to register each Program provider for automated e-mail notifications from the Community Care Licensing Division, and to monitor and resolve license issues identified in the e-mail notifications.**

System Interface

DCFS periodically generates an electronic file of claims processed in the System and transmits the file to eCAPS to generate payments to child care providers. CFM Section 8.9.2 requires departments to implement controls to ensure that data is transferred completely and accurately between systems. This includes controls to deter the duplication of transferred data and to ensure that transfer errors are corrected timely.

Duplicate Payment Controls

DCFS IT staff developed an automated program that is designed to check the child care payment file for duplicate payments. If the automated program identifies possible duplicates, DCFS IT staff e-mails supervisors in the DCFS Payment section to research and resolve the possible duplicates. DCFS developed this control because, in 2013 and 2014, they transmitted two payment files to eCAPS that included duplicate child care payments (which have since been resolved).

We discussed the automated duplicate payment check with DCFS IT staff and noted that it is not designed to identify duplicates sent to eCAPS in separate payment files (i.e., the program only checks for duplicates within a single payment file). This increases the risk that DCFS may not detect duplicate payments transmitted to eCAPS in separate payment files. In addition, DCFS performs the duplicate payment check after KinderTrack transmits payments to eCAPS, increasing the risk that duplicate payments could be paid in eCAPS before being detected and canceled.

We also noted that supervisors in the DCFS Payment section do not always document that they review and resolve possible duplicates. While we could not always verify that supervisors review possible duplicates, we used automated audit tools to review over one year of child care payment data, and did not note any actual duplicates.

Recommendations**Department of Children and Family Services management:**

- 18. Evaluate modifying KinderTrack's automated duplicate payment check to detect duplicate payments transmitted in separate child care payment files, and ensure staff perform the duplicate payment check before transmitting the payment file to eCAPS.**
- 19. Ensure Payment section supervisors document that they review and resolve possible duplicate payments.**

Suspended Payments

eCAPS will suspend payments it receives from the System if it detects errors, such as payments to a provider who was deactivated in eCAPS. Suspended payments are listed on eCAPS exception reports until DCFS corrects or cancels them. CFM Section 8.9.2 requires departments to monitor exception reports and resolve suspended items timely.

We reviewed the eCAPS Rejected Document Status report and found 20 rejected child care payment requests valued at approximately \$10,000. These payments remained suspended in eCAPS for up to two years until we reported them to DCFS. DCFS indicated that they monitor eCAPS rejected payments and re-issued 20 new payments timely for each of the rejected payments noted. However, DCFS staff never canceled the original suspended payments. This increases the risk that the suspended payments could get processed in duplicate. DCFS needs to cancel the suspended payments noted in our review, and enhance payment monitoring procedures to ensure staff resolve and remove suspended payments from eCAPS in a timely manner.

We also noted that DCFS does not use the eCAPS warrant postback data file to help reconcile each payment processed in KinderTrack to the corresponding warrant issued in eCAPS. This makes it difficult for DCFS to detect discrepancies between the number and amount of payments processed in KinderTrack and the warrants issued in eCAPS. DCFS should evaluate modifying KinderTrack to accept eCAPS warrant postback data, and to automatically flag discrepancies between KinderTrack and eCAPS.

Recommendations**Department of Children and Family Services management:**

- 20. Cancel the suspended child care payments noted in our review.**
- 21. Enhance payment monitoring procedures to ensure staff resolve and remove suspended payments from eCAPS in a timely manner.**

- 22. Evaluate modifying KinderTrack to accept eCAPS warrant postback data, and to automatically flag discrepancies between KinderTrack and eCAPS.**

IT Risk Assessment

Board of Supervisors Policy 6.107 requires departments to assess information security risks on critical IT services as part of the Auditor-Controller's Internal Control Certification Program (ICCP). Departments must certify that proper controls are in place, or that action is being taken to correct any weaknesses or vulnerabilities.

DCFS management did not identify KinderTrack as a critical system in their FY 2014-15 ICCP, and as a result, did not perform a risk assessment as required. DCFS uses KinderTrack to manage critical child care services provided to the public, to process over \$11 million a year in child care payments, and to manage personally identifiable participant information. DCFS management needs to ensure staff perform a risk assessment on KinderTrack as part of the ICCP.

Recommendation

- 23. Department of Children and Family Services management ensure staff perform a risk assessment on the KinderTrack System as part of the Internal Control Certification Program.**



PHILIP L. BROWNING
Director

BRANDON NICHOLS
Chief Deputy Director

June 20, 2016

**County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

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To: **John Naimo**
Auditor-Controller

From: **Phillip L. Browning**
Director

RESPONSE TO THE AUDITOR-CONTROLLER'S DEPARTMENT OF CHILDREN AND FAMILY SERVICES – KINDERTRACK SYSTEM REVIEW

Attached is the Department of Children and Family Services' (DCFS) response to the Auditor-Controller's (A-C) report, which details the A-C's findings of DCFS KinderTrack System Review. We have thoroughly reviewed the report and carefully taken into consideration the issues and recommendations outlined. We generally agree with the recommendations contained within this report and we have initiated and actively taken corrective measures that strengthens management controls in the Child Care Program and enhances system usability and automation over the child care payment process to implement all of the recommendations by August 31, 2016.

We appreciate the opportunity to have DCFS' responses directly included with your final report to the Board of Supervisors. My Department is committed to improving internal practices to ensure compliance with County Fiscal Policies and thank your staff for the time and resources devoted to review our operations.

If you have any questions or require additional information, please have your staff contact Cynthia McCoy-Miller, Senior Deputy Director, at (213) 351-5847.

Thank you.

PLB:CMM:ow

Attachment

c: **Cynthia McCoy Miller**, Senior Deputy Director
Rogelio Tapia, Administrative Deputy III
Helen Berberian, Deputy Director
Deborah Silver, Division Chief
Cecilia Custodio, BIS Division Chief

"To Enrich Lives Through Effective and Caring Service"

**AUDIT RESPONSE
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
KINDERTRACK SYSTEM REVIEW**

Recommendation #1

Implement electronic System approvals for payments, payment rates, families, and child care providers that staff enter in KinderTrack.

DCFS Response: Agree. DCFS BIS management is working with the vendor to provide system training on proper configuration and utilization of the system by August 31, 2016 to implement appropriate workflow structures. In addition, appropriate electronic or compensating manual system approvals will be implemented in the KinderTrack system as a corrective action.

Recommendation #2

Require Eligibility Workers and Eligibility Supervisors to process all payment rate changes in KinderTrack.

DCFS Response: Agree. On April 12, 2016, a protocol was implemented requiring Eligibility Workers and Eligibility Supervisors to enter and approve rates in KinderTrack.

Recommendation #3

Department of Children and Family Services management resolve the over and under payments noted in our review.

DCFS Response: Agree. On June 15, 2016, DCFS Fiscal Child Care management completed its research and has put in place a structured process of recovering confirmed overpayments and issuing supplemental warrants for correcting underpayments noted in this review.

Recommendation #4

Department of Children and Family Services management evaluate modifying KinderTrack to automate all child care payment calculations based on the child care hours entered, including modifying the System to calculate payment for premium hours and prorated child care rates.

DCFS Response: Agree. DCFS BIS management in consultation with the vendor determined that the functionality already exist. However, they will automate child care payments, including payment for premium hours and prorated child care rates, as

applicable, and in accordance to State regulations. In addition, Child Care Program and Fiscal Payment staff will be provided training on proper utilization of the system by August 31, 2016.

Recommendation #5

Develop a process to monitor changes to child care payment law, and adjust payment processes to address new legal provisions.

DCFS Response: Agree. DCFS management has developed and implemented a process where all Management Bulletins from the California Department of Education (CDE) are received by both Child Care and Fiscal management. As such, changes in child care payment law will be confirmed and the payment process will be adjusted to comply with new legal provisions as appropriate.

Recommendation #6

Evaluate the feasibility and cost benefit of identifying and resolving the premium child care payment errors that have occurred since 2003.

DCFS Response: Agree. DCFS Fiscal management evaluated the feasibility and cost benefit of identifying and resolving potential premium child care payments dating back to 2003 and determined that it is not feasible nor cost effective. On average there are 16,700 payments processed annually, although only a small portion of providers receive premium payments, a manual review of all timesheets, approximately 217,000, would be necessary in order to evaluate premium child care payments. Furthermore, there is the possibility that the premium child care payments were processed correctly by staff in the section during that time. Although it is not feasible nor cost effective for existing staff to review approximately 217,000 and continue processing new timesheets in a timely manner, modifications have been made to the KinderTrack system to automate premium hours for future payments.

Recommendation #7

Evaluate modifying KinderTrack to prohibit payments that exceed a provider's market rate for child care.

DCFS Response: Agree. DCFS BIS management evaluated and determined that this functionality already exists; and the KinderTrack system is configured to process the lesser of the certified rate and Regional Market Rate (RMR). It is noteworthy to mention the State allows payments to the provider in rare instances that may be above the RMR. Nonetheless, on June 2, 2016, a protocol was put in place and line staff was instructed to discontinue making payments that exceed a provider's market rate for child care. For a rare and documented reason allowable by the State exist, payment supervisors will review and evaluate those cases to determine if a payment over the RMR is warranted.

Recommendation #8

Evaluate modifying KinderTrack to automatically adjust Regional Market Rate (RMR) limits for premium child care hours, and eliminate the RMR override feature.

DCFS Response: Partially Agree. DCFS BIS management evaluated the system and determined that the functionality to adjust RMR limits for premium child care hours already exists. Nevertheless, the RMR override feature will be eliminated from line staff. However, the RMR override feature is still necessary to have and be utilized in some exceptional instances when warranted and documented; therefore, this feature will be restricted only to supervisory staff to apply.

Recommendation #9

Evaluate modifying KinderTrack to automatically adjust provider rates as a child gets older.

DCFS Response: Agree. DCFS BIS management evaluated and determined that the system can automatically adjust the rates as long as the provider's rates for different age groups are entered in the provider rate page with corresponding effective date and end date. On December 15, 2015, a protocol was implemented and staff was instructed, upon identifying that a child will have a change in age during the certification period, to create two certificates in the system during intake, each signifying the appropriate provider rate for the associated age of the child. Upon the child's birthday, the age appropriate rate will be effective and the prior rate will end. In addition, the system will prompt an alert 45 days prior to a child's birthday for staff to ensure a certificate has been created with a new rate.

Recommendation #10

Ensure that staff file provider rate lists timely in the provider file.

DCFS Response: Agree. On February 18, 2016, a protocol was implemented and staff has been instructed that at the time of an initial and recertification visit to request a copy of rates and file in the provider folder for supervisor review.

Recommendation #11

Department of Children and Family Services management require enrollment staff to enter provider registration fees in the System when they create the provider, and allow KinderTrack to automatically add the registration fee to the provider's first child care payment.

DCFS Response: Agree. DCFS Child Care enrollment staff have been instructed to enter registration fees in the System along with the provider's first child care payment when they create the provider profile. Registration fees along with the provider's first child care payment will be paid up to the RMR limit as allowed. For

registration fees that cannot be paid in full during the first payment due to the RMR limit, incremental payments up to the RMR limit will automatically be paid each month thereafter until the full registration fee is paid to the provider.

Recommendation #12

Develop written child care payment policies and procedures, in accordance with applicable regulations, to guide staff in their payment processing duties.

DCFS Response: Agree. On April 15, 2016, child care payment policies and procedures were updated and disseminated to staff instructing them of their payment processing duties.

Recommendation #13

Develop and deliver periodic staff training on child care payment policies and procedures.

DCFS Response: Agree. Fiscal Child Care staff has been instructed and trained on policies and procedures that were disseminated on April 15, 2016. In addition, staff will be provided training from the vendor on proper configuration and utilization of the system to adhere to the recommendations contained in this report. Finally, staff will be provided ongoing refresher training on a bi-annual basis.

Recommendation #14

Obtain provider signatures on all Certificates for Child Care Services to document each provider's agreement to their child care payment rate.

DCFS Response: Agree. On August 12, 2015, DCFS Child Care management implemented a checklist for supervisor review to ensure that provider signatures are on all certificates. In addition, on February 18, 2016, a reminder was issued to Child Care program supervisors and staff reiterating the requirement for staff to obtain signatures from the caregiver, provider, and Child Care EW on the certificate forms.

Recommendation #15

Return incomplete child care timecards to providers for correction.

DCFS Response: Agree. On June 30, 2016, DCFS Child Care program staff researched the nine timesheets identified in this report and has put in place a process to work with the providers to correct the returned timesheets.

Recommendation #16

Require staff to review the status of child care provider licenses at least every six months when renewing provider agreements, and terminate agreements with providers who have a suspended or canceled license.

DCFS Response: Agree. DCFS Child Care program staff reviewed the California Department of Social Services, Community Care Licensing (CDSS CCL) Division's website at least three times during the agreement term to check for violations and suspension. On May 9, 2016, staff was instructed to print out the status and file it in the provider folder. This process is repeated at the time of recertification.

Recommendation #17

Assign staff to register each Program provider for automated email notification from the Community Care Licensing Division, and to monitor and resolve license issues identified in the email notifications.

DCFS Response: Agree. On May 11, 2016, DCFS Child Care management established a child care mailbox that allows automated email notifications from the CCL. Child Care EW staff has been assigned to monitor and resolve issues identified in the email notifications.

Recommendation #18

Evaluate modifying KinderTrack's automated duplicate payment check to detect duplicate payments transmitted in separate child care payment files, and ensure staff perform the duplicate payment check before transmitting the payment file to eCAPS.

DCFS Response: Agree. A duplicate payment check process is currently performed, however, with a limited scope in that it is performed only within one payment file. The scope of the current process will be expanded to check against previous payment files to detect duplicate payments before transmitting the payment file to eCAPS.

Recommendation #19

Payment section supervisors document that they review and resolve possible duplicate payments.

DCFS Response: Agree. On April 21, 2016, a process was implemented in which the DCFS Fiscal Child Care Payment Section supervisor verifies a sample of timesheets for accuracy prior to the manager running the payroll. Thereafter, the automated duplicate payment check process is ran; and the Payment staff reviews

and resolves possible duplicate payments identified by the automated duplicate payment check process. Once the duplicate clearance process is complete, the payment file is transmitted to eCAPS.

Recommendation #20

Cancel the suspended child care payments noted in our review.

DCFS Response: Agree. On May 21, 2015, DCFS Fiscal Child Care Payment staff completed its research and canceled all 20 suspended child care payments identified in this report. Additionally, DCFS Payment staff enhanced its process to cancel future suspended child care payments timely.

Recommendation #21

Enhance payment monitoring procedures to ensure staff resolve and remove suspended payments from eCAPS in a timely manner.

DCFS Response: Agree. On May 21, 2015, as noted in Recommendation #20, DCFS Fiscal management enhanced its payment monitoring procedures and process to resolve and remove suspended child care payments timely.

Recommendation #22

Evaluate modifying KinderTrack to accept eCAPS warrant postback data, and to automatically flag discrepancies between KinderTrack and eCAPS.

DCFS Response: Agree. DCFS BIS management evaluated the current system and determined the current system is incapable of accepting postback files and flagging the discrepancies; however, DCFS BIS will explore the possibility of updating version 3 to version 4 of KinderTrack which will allow this functionality.

Recommendation #23

Department of Children and Family Services management ensure staff perform a risk assessment on the KinderTrack System as part of the Internal Control Certification Program.

DCFS Response: Agree. DCFS BIS management will conduct a risk assessment on the KinderTrack System as a part of its Internal Control Certification Program.